WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

- Botswana
- Egypt
- Ghana
- Kenya
- Malawi
- Mauritius
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change			YTD % Change	
Country	Index	27-May-16	3-Jun-16	Local	USD	31-Dec-15	Local	USD
Botswana	DCI	10198.04	10181.07	-0.17%	-0.05%	10602.32	-3.97%	-3.87%
Egypt	CASE 30	7531.15	7617.88	1.15%	1.15%	7006.01	8.73%	-4.18%
Ghana	GSE Comp Index	1773.54	1753.52	-1.13%	-2.05%	1994.00	-12.06%	-13.07%
Ivory Coast	BRVM Composite	309.17	304.70	-1.45%	-1.23%	303.93	0.25%	2.58%
Kenya	NSE 20	3867.50	3801.31	-1.71%	-1.79%	4040.75	-5.93%	-4.59%
Malawi	Malawi All Share	12793.72	12823.24	0.23%	1.58%	14562.53	-11.94%	-14.90%
Mauritius	SEMDEX	1749.33	1756.11	0.39%	-0.64%	1,811.07	-3.03%	-1.82%
	SEM 10	337.80	339.76	0.58%	-0.45%	346.35	-1.90%	-0.68%
Namibia	Overall Index	991.75	998.28	0.66%	0.81%	865.49	15.34%	14.02%
Nigeria	Nigeria All Share	28902.25	27634.48	-4.39%	-4.64%	28,642.25	-3.52%	-3.48%
Swaziland	All Share	357.67	357.67	0.00%	0.15%	327.25	9.30%	8.04%
Tanzania	TSI	3959.33	3875.36	-2.12%	-2.10%	4478.13	-13.46%	-14.58%
Zambia	LUSE All Share	4964.44	5000.36	0.72%	-1.06%	5734.68	-12.80%	-8.60%
Zimbabwe	Industrial Index	104.43	104.30	-0.12%	-0.12%	114.85	-9.19%	-9.19%
	Mining Index	25.54	25.77	0.90%	0.90%	23.70	8.73%	8.73%

CURRENCIES

Currency	27-May-16 Close	3-Jun-16 Close	WTD % Change	YTD % Change
BWP	11.04	11.03	-0.11	0.10
EGP	8.86	8.86	0.01	-11.87
GHS	3.81	3.85	0.94	-1.15
CFA	588.00	586.70	-0.22	2.32
KES	99.03	99.11	0.08	1.42
MWK	674.29	665.35	-1.33	-3.35
MUR	33.91	34.26	1.04	1.25
NAD	15.60	15.58	-0.15	-1.15
NGN	196.68	197.21	0.27	0.04
SZL	15.60	15.58	-0.15	-1.15
TZS	2,144.24	2,143.75	-0.02	-1.30
ZMW	10.26	10.44	1.80	4.82

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Botswana

Corporate News

Botswana supermarket chain Choppies Enterprises has finally succeeded in its year-long quest to enter Kenya's retail space through acquisition of Ukwala Supermarkets stores. The retailer Monday announced its takeover of eight Ukwala outlets across the country. Three of the stores are in Nairobi, four in Kisumu and one in Bungoma. Choppies first announced the intention to enter Kenya in May last year. The transaction was halted by a claim by the Kenya Revenue Authority (KRA), which was demanding Sh946 million in taxes and interest. The taxman went to court and stopped the planned sale, which dragged the acquisition for months. Early this year, however, KRA and Ukwala opted to settle the dispute out of court in a deal that would see Ukwala pay Sh59.7 million to the taxman within 30 days, and apply for a waiver of Sh42 million it had racked up in interest and penalties. The Sh845 million dispute will be heard by the KRA's tax appeals tribunal. Besides Kenya, Choppies operates seven distribution centres and 125 retail outlets, comprising 72 stores in Botswana, 35 in South Africa and 18 stores in Zimbabwe. High-end foreign retailers have taken growing interest in Kenya including the French supermarket chain Carrefour, the Turkish fashion retailer LC Waikiki as well as South African Massmart which opened shop at Garden City mall. Kenya's retailers which are already straddled with huge debts are facing major threats from bullish international investors. Uchumi supermarkets which is courting an international investor owes suppliers Sh3.6 billion, with another Sh2.5 billion debt held by banks with charged assets against a total asset base of Sh6.1 billion. Last year, South African credit rating agency GCR revealed that Nakumatt's total debt had more than tripled in four years to Sh15 billion from Sh4.2 billion in 2011.

Kenya's top three retailers — Nakumatt, Tuskys and Naivas — owed manufacturers Sh8 billion in unpaid dues as at September last year, with some payments dating back to early 2014, the suppliers said then in a protest letter. "From where I sit as a bank Uchumi's debt is not the biggest among the retailers so I do not see why it cannot be revived," Jamii Bora Bank CEO Samuel Kimani told a stakeholder meeting recently. Suppliers invited by Uchumi to restructure their debt said all supermarkets were not paying their dues. They decided to invigorate a Suppliers association headed by Mr. Kimani Rugendo, chairman Association of Kenya Suppliers and negotiate industry-wide terms to get paid on time. A new law-- the Public Procurement and Asset Disposal Act (2015) -- will force the retailers to pay these debts or incur additional charges for each day defaulted. Section 140 of the law will require a procuring entity to pay interest on the overdue amounts. "The interest and liquidated damages to be paid shall be in accordance with prevailing mean commercial lending rate as determined by the Central Bank of Kenya," states the law. "This is a commercially partisan piece of legislation, not useful to the growth of the overall economy at all. Government shouldn't be involved in advancing economic interests of one set of players at the expense of another, I can only compare it to the Donde Bill," said Tuskys' CEO Dan Githua in an earlier interview commenting on the new legislation. Mr. Githua said the retailer will use agreements signed with suppliers to insulate themselves against the law. "Those trading agreements also called joint business plans are negotiated annually, we do not need external intervention," said the Tuskys boss. Late payment of invoices to small businesses has stifled Kenyan enterprises and poses risks to their cash flows, entrenches reliance on costly bank loans, causes job losses, and even bankruptcy. Treasury Secretary Henry Rotich however said the law is intended to ensure prompt payments, especially to SMEs. *(Business Daily)*

Economic News

Botswana's economy will return to growth this year after contracting in 2015 as water and electricity supply stabilise, the central bank said on Monday. Consumer prices in the southern African country will remain within the bank's target of between 3 and 6 percent, the Bank of Botswana's Kealeboga Masalila said at a conference. Botswana's economy contracted 0.3 percent in 2015 due to a sharp fall in mining output as global demand for commodities sank and a severe drought pushed up inflation. *(Reuters)*

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TRADING

Botswana has run out of corn, one of its staple foods, and is banking on imports from drought-hit South Africa and Zambia to meet its needs. Stocks of locally grown corn in silos are depleted, the state-owned Botswana Agricultural Marketing Board, which manages the country's strategic grain reserves, said in an e-mailed response to questions. The body is required to keep a minimum of 10,000 metric tons of corn in strategic reserves, it said on its website. "The board has started the process of buying 5,000 tons of yellow maize from South Africa and 250 tons of white maize from Zambia," the board said, using another term for corn. "During the current harvest season, we are expecting 2,000 tons of white maize from local farmers." The board is targeting 20,000 tons of regional imports this year, but declined to provide estimated costs, citing the privacy of agreements with partners. An El Nino-induced drought is shrinking grain production across southern Africa and increasing the risk of hunger for some of the world's poorest populations. It's been more than a century since fields were this dry in South Africa, the continent's biggest corn grower and traditional supplier to its neighbors along with Zambia. While Zambia is expecting an almost 10 percent increase in corn output this year, it has suspended exports until the end of September, Agriculture Minister Given Lubinda said earlier this month.

The country will honor existing contracts, but the announcement may dash hopes of neighbors such as South Africa, that are eyeing imports from Zambia to stem shortages after the drought hurt its harvest. Many of Botswana's 2.2 million people cook ground white corn to make a porridge known as phaleche and do the same with sorghum to make bogobe, both considered staples. The board has 30,000 tons of sorghum, above the statutory strategic requirement of 10,000 tons, and expects to harvest 40,000 to 50,000 tons this season, it said. Demand for white corn in Botswana, the world's biggest diamond producer after Russia, exceeds 100,000 tons annually, while output is about 10,000 tons. The African country has imported 24,100 tons of yellow corn, which is mainly used as animal feed, from South Africa this year, and about 52,800 tons of the white variety. The total area on which corn and sorghum was planted this year fell 26 percent to 14,582 hectares (36,032 acres) from a year earlier, the government said in February. Production of grains would meet 29 percent of the national requirement of 320,000 tons, it said. In January, Botswana Millers Association Chairman Nkosi Mwaba told Bloomberg that while local corn-meal supply would remain stable this year, prices would rise by 25 to 30 percent due to premiums paid for imports. Botswana President Ian Khama may declare a drought this week and announce the amount of support the government will provide to farmers and communities in the worst dry period the country has experienced in 34 years. Last June, he declared a drought and approved a 445 million-pula ($40 million) supplementary budget for relief measures. *(Bloomberg)*

Egypt

Corporate News

Egypt's Carbon Holdings has secured agreement with one of the four export credit agencies expected to provide financing worth between $4 billion and $5 billion for its massive Tahrir petrochemicals project, its chief executive said on Monday. The $7 billion scheme at Ain Sokhna at the southern end of the Suez Canal will be one of the largest petrochemicals projects in Egypt. It is projected to increase by about 50 percent the amount of such products made by the North African country in the first 10 years after becoming operational. The financing was expected to close by the end of 2015 and be provided by five agencies, but talks were put on hold because the Export-Import Bank of the United States (U.S. EXIM) couldn't lend new cash until its licence was renewed by Congress, according to Carbon Holdings CEO Basil El-Baz. However, the U.S. Overseas Private Investment Corporation has now agreed to direct funding, Baz told Reuters in Dubai without stating for how much the agreement was worth. "We are optimistic that we should be in a position to wrap this up this year," Baz said of the full finance package. Carbon Holdings expects three other agencies to contribute to the 17-and-a-half-year debt facility, either through direct lending or guarantees for commercial bank loans. They are U.S. EXIM, Sace of Italy and UK Export Finance.

The start of Tahrir's construction has also been delayed from the timetable given last year. Baz said that work is now expected to begin at "the back end of this year" and last for about 48 months. Societe Generale is advising on the Tahrir project, Baz said. Other petrochemical projects with links to the main scheme have progressed much further. A polypropylene plant had been online since September and a $570 million ammonium nitrate facility is expected to be fully operational in July. The chief executive was speaking as the company announced a $25 million investment in Carbon Holdings by the International Finance Corporation. The transaction, aimed at developing Egypt's petrochemicals industry, could led to larger investments in Carbon Holdings and its projects, including around Tahrir, said Mouayed Makhlouf, IFC director for the Middle East and North Africa. *(Reuters)*

Beltone Financial, Egypt's largest asset manager, signed an agreement to acquire 51 percent of New York-based brokerage firm Auerbach Grayson & Company, the Egyptian firm told Reuters on Wednesday. The acquisition will be submitted for regulatory approvals and is expected to be finalized in the coming weeks, the company told Reuters in a statement. "We are delighted to be making this investment and look forward to working with Auerbach Grayson as we expand our global reach and product offerings to the U.S. market, in addition to boosting our expansion plans in frontier markets," said Beltone Financial Chairman Sameh El-Torgoman. Beltone Financial was advised by Beltone Investment Banking, Covington & Burling LLP in Washington DC, and Zaki Hashem & Partners in Cairo, the company said. Auerbach Grayson was advised by Berkshire Capital in New York and Sullivan & Worcester LLP in Boston. Beltone Financial's board agreed to a 1 billion Egyptian pound ($112.6 million) capital increase on May 17, aimed at expanding the company's operations both inside and outside of Egypt. The Cairo stock exchange delayed approving the request on May 25 until Beltone provided a reason, the exchange said. *(Reuters)*

Economic News

Egypt has received $500 million from Saudi Arabia, the first instalment of a $2.5 billion grant that was approved last week, International Cooperation Minister Sahar Nasr said on Wednesday. "Correct," Nasr told Reuters when asked if the $500 million instalment had been paid. She did not reveal when the payment took place. The grant was first agreed in April and is intended to support the Egyptian economy. *(Reuters)*

Egypt's net foreign reserves rose to $17.52 billion at the end of May, the central bank said on Wednesday. Reserves stood at $17.011 billion at the end of April. Egypt had roughly $36 billion in reserves before an uprising in 2011 overthrew Hosni Mubarak. That ushered in a period of political turmoil that scared away tourists and foreign investors, key sources of foreign exchange. *(Reuters)*

Ghana

Corporate News

The GCB Bank has paid a dividend of 33 pesewas per share to its shareholders despite a dip in its earnings at the end of the 2015 financial year. The amount which is a three per cent rise represented a total payout of GH¢87 million against a payment of 32 pesewas per share in 2014 which amounted to GH? 85 million. In the year under review, the bank recorded nine per cent drop in its basic and diluted earnings per share from GH¢1.06 in 2014 to GH¢0.96 in 2015. The payment of the 33 pesewas per share was approved by shareholders of the bank at its 2015 Annual General Meeting (AGM) in Accra after the board of directors had presented a financial statement to them. The Chairman of the Board of Directors of the bank, Mr Daniel Owiredu, said the payment of the shares was to "satisfy the expectations of shareholders even in a year in which the general economic environment was less supportive." In 2015, the bank recorded operating revenue of GH? 863 million, which is an increase of GH?132 million more than the GH?731 million recorded in 2014. Operating expenses in 2015, according to the bank. were kept under control as compared to the cost incurred by the bank in 2014. In 2015, the bank recorded cost of GH¢426 million which was one per cent less than the GH?428 million incurred the previous year. However, an industry-wide initiative credit deterioration in 2015 affected the bank, necessitating an increase in a charge for loan loss of GH¢93 million compared to GH¢24 million in 2014. The bank declared a pre-tax profit of GH?361 million in 2015, an amount which is nine per cent less than what was achieved the previous year. Profit after tax was GH¢255 million, which was 10 per cent lower compared to that of 2014. In the year ahead, Mr Owiredu said the bank would continue to pursue its transformational agenda of becoming the top performing bank in Ghana through modernising its operations by investing in IT infrastructure and increasing its market share. The move, he said, would enhance shareholders value and enable the bank to offer better services to its customers.

For his part, the acting managing Director, Mr Samuel Sarpong, said the bank's balance sheet size increased by nine per cent from GH¢4,259 million in 2014 to GH¢4,659 million at the end of 2015. That, he said, was as a result of the growth in customer deposits from GH¢? 3,075 million in 2014 to GH¢? 3,361 million in 2015. Some shareholders expressed concern over some operation strategies of the bank, which they claimed would affect the fortunes of the bank and asked the management to address them. A shareholder who was not happy that customers who withdrew cash below a certain amount from the banking hall were charged for doing so said that might cause customers to move to other banks. "This is a bad policy. The bank claims the strategy is to decongest the banking hall and also to encourage customers to use the ATM. I do not want to be a doomsday prophet but if we don't do something about it customers will move. Are we going to sit for it to happen?", he asked. Another customer, Mr Samuel Dadzie, who commended the management of the bank for recovering some debts on its books, asked for more to be done to recover all bad debts, while the bank complied with the Bank of Ghana guidelines in that regard. He said since the bank spent more than 50 per cent of its operating expenses on its staff "it shows the board is taking very good care of the staff and I want to say that to whom much is given much is expected." *(Ghana Web)*

AngloGold Ashanti, a gold mining company, has dragged the government to the International Centre for Settlement of Investment Disputes (ICSID) to seek redress for losses it has suffered due to the withdrawal of military personnel from its mining concessions. Information gathered by the Daily Graphic was that the mining company resorted to ICSID, which is based in Washington, DC, following the nuisance posed by illegal miners as a result of the military's withdrawal. The company is arguing that the military was withdrawn despite an outstanding agreement for it (military) to provide security. The case, which was registered on May 2, 2016, has been listed on ICSID's website as Case No. ARB/16/15. AngloGold Ashanti (Ghana Limited) is the claimant in the case while the President of the Republic of Ghana, the Minister of Lands and Natural Resources and the Attorney-General of the Republic of Ghana are the respondents. According to the publication on the ICSID website, the tribunal was yet to be constituted for the hearing of the case to commence. Sources told the Daily Graphic the company was seeking the payment of compensation for suffering in the hands of illegal miners following the pulling out of the military from its mine sites. Daily Graphic also learnt that the company had entered into a memorandum of understanding (MoU) with the military to provide protection for its mines and equipment but the military pulled out in February this year.

The legal teams for the mining company and the Attorney-General's Department have declined to disclose the full content of the arbitration documents but the Daily Graphic has gathered that the government is engaging lawyers to legally battle it out with the mining company. Documents on the case are yet to be uploaded on ICSID's website. The company recently reiterated its worry over the continued activities of illegal gold miners at its Obuasi Mine in the Ashanti Region. It was particularly worried over the situation where illegal miners, popularly known as galamsey operators, had been looting the company's high-grade gold-bearing material for months. The Managing Director (MD) of AngloGold Ashanti's Obuasi Mine, Mr Eric Asubonteng, told journalists recently that since the security forces were withdrawn at the beginning of February this year following a clash between the management of the Obuasi Mine and some illegal miners which led to the death of the mine's corporate affairs manager, invasion of the mine's concessions by illegal miners had continued undiminished. He said the authorities had been informed of developments, including the damage being caused to the mine and the Obuasi community and the long-term prospects for the natural resource. He stated that the hopes of AngloGold Ashanti were temporarily raised when it was announced that President Mahama had directed the return of the Ghana Army to the Obuasi Mine, adding, however, that on March 26, 2016, the military received an instruction to pull back to guard only certain limited parts of the mine. "To this day, the illegal miners continue to operate with impunity on the richest parts of the ore body. We are at a loss to understand how a clear directive has been ignored. We fear serious and lasting consequences if the situation is allowed to continue," Mr Asubonteng said. *(Ghana Web)*

Economic News

Ghana's export of apparel and clothing under the African Growth and Opportunity Act (AGOA) has expanded from less than US$250,000 in 2001 to more than US$9million last year, the US Embassy has said. "With investment partnerships with US companies and technical assistance from USAID, we fully expect to see another large increase in exports in 2016 with the potential to provide employment opportunities for thousands of people," Melinda Tabler-Stone - Charge d'Afffaires at the US Embassy - said at a sensitisation workshop on exporting to the US under AGOA. "The US government, through USAID, is working closely with industries such as the apparel sector to help realise Ghana's potential and we are seeing encouraging signs of progress," she said. The workshop was the first in a series of AGOA outreach events organised by the AGOA Trade Resource Centre at the Ghana Chamber of Commerce and Industry, in collaboration with the American Chamber of Commerce (AMCHAM) and the USAID West Africa Trade and Investment Hub. Melinda Tabler-Stone said: "AGOA has been a centre-piece of trade relationship in Africa over the past fifteen years and this extension provides Ghana and other African countries a partnership and an opportunity to attract new long-term investments". AGOA is the US government's signature trade initiative with sub-Saharan Africa, with thirty-seven beneficiary countries enjoying duty-free status for exports into the United States. AGOA waives duties on more than 6,400 products exports from eligible African countries to the United States, and the event also served as a platform for the Ghana Chamber of Commerce and Industry (GCCI) to publicise a series of technical workshop activities mandated under the US$$14,800 USAID grant.

AGOA has recently been renewed for the next 10 years by the U.S. Congress. The U.S government enacted AGOA in May 2000 to give referential market access for over 6,000 products from 39 sub-Saharan Africa nations with liberal access to the U.S. market. As of June 2015, AGOA-eligible countries have exported nearly US$480billion worth of goods to the U.S. under AGOA. By providing duty-free access to the U.S. market, AGOA has succeeded in helping eligible nations grow, diversify their exports to the United States, and create employment and inclusive economic growth. Under AGOA, eligible countries can export products including value-added manufactured items such as textiles to the U.S duty-free. Ms. Tabler-Stone continued: "AGOA has supported thousands of jobs in sub-Saharan Africa, and the United States has benefitted with significant increase in exports since 2000". A representative from the Ministry of Trade and Industry, Ebenezer Adjirackor, also speaking at the event said: "AGOA is the cornerstone of the United States government's trade and economic policy toward sub-Saharan Africa, and there has been remarkable growth in the partnership between the US and Africa". Mr. Adjirackor added that: "AGOA seeks to provide market access to eligible sub-Saharan African countries to enter the US market. The initiative provides trade preferences for duty-free, quota-free food for market entry into the United States". *(Ghana Web)*

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Finance Minister, Seth Terkper has hinted to Citi Business News Ghana will issue its 5th Eurobond by October 2016. Parliament in December, 2015 gave government the green light to go ahead and issue the Eurobond. Proceeds from the bond will be used to support the country's growing infrastructural needs, and to repay part of its maturing debts including the country's first Eurobond which matures next year. Speaking to Citi Business News at the sidelines of the Graphic Business Breakfast series, the Minister of Finance Seth Terkper said the Eurobond will be issued either in July or October this year. "You know emerging markets bonds are important and we are watching the developments in the market. We normally do the bond in July or October so you don't want to announce now. This is because the markets can change at any time, with the US raising the rates that itself overnight can affect the rates you can get on the market. So you consider a lot of factors and so you don't make categorical statement today and the markets change and somebody comes and says but you said this is what will happen that is why we try to be a bit hesitant in some of the statements regarding the bond." Mr. Terpker stated. High interest Some economists have warned Ghana will attract a very high coupon rate if it goes ahead to issue the 5th Eurobond and have advised government to abandon its plans to issue the bond.

According to them, investors will demand high rates due to the country's upcoming elections, inflationary trends as well as its high debt levels among others. Ghana's last Eurobond was issued at a coupon rate of 10.75 for 15 years which was described as one of the highest in the region. Early this year, the Finance Minister led a team of government officials to meet with investors to showcase the country's growing economic prospects in a non – deal road show. Seth Terpker tells Citi Business News government needs the cash to retire the country's first Eurobond which matures in 2017. 'Ghana is already in the market, the country has the 2017 Eurobond maturing to be refinanced. So we have to think about the way to pay for the debts'. Ghana in 2007 issued its first Eurobond and successfully raised $750 million at a coupon rate 8.50%. There are currently three more Eurobonds outstanding, with maturity profiles including August 2023, January 2026. As at December 2015 Ghana's public debt stood at 94.5 billion cedis. *(Ghana Web)*

Ghana expects to produce 2.7 million ounces of gold in 2016, down marginally on the previous year as new production offsets a decline in output due to lower global gold prices and ageing mines, the Chamber of Mines said on Wednesday. Gold is the single biggest revenue earner for the West African commodities exporter which is following a three-year aid deal with the International Monetary Fund to restore its fiscal balance. *(Reuters)*

The Bank of Ghana has introduced new foreign exchange rules that will from July 1 this year require exporters to repatriate all export proceeds to the country, altering several forex requirements of the central bank. The measure follows earlier directives last month for mining companies to surrender all their foreign exchange directly to the banks, which hitherto was surrendered to the central bank. By these new rules, the 60-day mandatory repatriation of export proceeds will no longer apply and the repatriation period of export proceeds will now be aligned with the terms agreed between trading parties. Additionally, the 5-day mandatory conversion of export receipts into Ghana cedis has been reversed and the previous requirement for exporters to retain up to 60 percent of their export receipts in their Foreign Exchange Account is quashed, with no need to convert 40 percent of the proceeds into Ghana cedis at market rates within 15 days. These, according to the central bank are part of measures to deepen the foreign exchange market and promote greater transparency in the determination of exchange rates as the central bank attempts to limit its role in forex market. The Bank of Ghana explained that the measures thus require exporters to transfer export proceeds through an external bank to their Foreign Exchange Account with any of the banks in the country on receipt of the money, or within 60 days from the day of shipping goods. The the Bank of Ghana's new requirements on the surrender and repatriation of export receipts come at a time the cedi has shown resilience against major trading currencies -- depreciating by under 1 percent against the US dollar.

It is expected that the new rules will help curb speculative activities, since players in the financial services sector will have knowledge about the inflow of foreign currencies into the market at any particular point in time; and that the central bank's intervention in the market will also be reduced with the new rules. At the recent post-Monetary Policy Committee meeting with the media, Bank of Ghana Governor Dr.Abdul-Nashiru Issahaku explained that the central bank has had a challenge in determining the market's demands, saying: "Once the funds are given directly to the banks they can trade with them, and we think that is much more measured and also good for the market."

The Bank of Ghana's approach is in contrast with its posture a couple years ago, when the central bank imposed strict foreign exchange regulations in an attempt to contain a fall in the cedi, which backfired as the market responded negatively, resulting in a devastating fall in value of the cedi. *(Ghana Web)*

Ghana Reinsurance Company Limited, a local reinsurance company, is to raise $100 million through private placement to improve its liquidity. The move is meant to adequately capitalise the company to enter into other West African markets. Mr. Gustav Siale, the Managing Director of the Ghana Reinsurance Company who disclosed this at the company's annual general meeting in Accra said the government had given approval for the company to raise additional capital to finance its operations. He said the intention of the company was to expand its operations and venture into other markets, saying the company already had presence in Cameroon and Kenya. "We are confident of raising the $100 million from local companies before the end of the year," he said. Touching on the company's performance in 2015, he said the company's gross premium income grew by 20.27 percent from GHc104.39 million in 2014 to GHc125.55 million in 2015, stressing that the growth, was among other things, influenced by a 29 per cent increase in business written on the local market. He said the company made a profit after tax of GHc28.66, which was below the GHc43.03 million recorded in 2014 and attributed the fall to huge claim payment made last year due to the June 3 disaster. "The company's profit was impacted by the over 100 percent in claims settlement of GHc80.90 million in 2015, compared to GHc39.42 million recorded in 2014. Notable contributory factors to the high claims figure included in the June 2015 flood and fire disasters," he said. Mr. Siale said the competition in the reinsurance industry calls for ingenuity and innovation and said management was pursuing innovative strategies and providing cutting-edge solutions to customers to enable the company to meet the competition in the industry. The Board Chairman of Ghana Reinsurance Company Limited, Nana Ansah Sasraku III, in his remarks said the company recorded positive growth and maintained its prompt claim payment feat despite the difficult economic challenges recorded last year. That, he said, "validates the company's financial strength and with the expected additional capital, Ghana Re is poised to leverage on reforms in the local market and further expand its footprint in international markets." The company paid a dividend of GHc4 million to the government. *(Ghana Web)*

Kenya

Corporate News

KCB has played down a Sh7 billion jump in non-performing loans in its books during the first quarter of the year, saying affected customers would pay up by next month. KCB Group chief executive Joshua Oigara linked the increase mainly to two of its clients who supply both the national and county governments, but added that the challenge was synonymous with all banks in every first quarter of the year. "We see difficulties in the settlement of bills and payments in the last quarter. We do expect this to improve in any case by the second half of the year. It is mainly temporary in my view. It is not something that is systemic across all our customers," said Mr Oigara in an interview with the Daily Nation. He added: "We have got some delays in one or two clients in the quarter and we expect this to correct itself in the second quarter. The two customers should be okay by end of June." Mr Oigara said the two customers contributed to the 90 per cent increase in the non performing loans in the period. "They are specific names and we are not worried about them. They are in their 90-day arrears and they will pay up," he said.

East Africa's largest commercial bank by assets was hit by a Sh7 billion increase in gross non-performing loans, even as it recorded a 6.1 per cent growth in net profit in the first quarter of the year compared to last year. Provisioning for loan losses more than doubled to Sh1.34 billion, cutting into the company's net profit that now stands at Sh4.63 billion in the quarter ending March 31, up from Sh4.36 billion in the same period last year. During the quarter, KCB's dud assets or gross non performing loans rose to Sh30.44 billion for the group from Sh23.5 billion last December. The increase arose mainly from the Kenyan unit whose NPLs now total Sh26.1 billion from Sh19.3 billion last December. Meanwhile KCB saw its total loans and advances flat at Sh345.94 billion as at the end of March compared to Sh345.97 billion in the quarter ended last December. Mr Oigara said a high interest rate regime has had a dampening effect. "This is the impact of high interest rates in December. Generally as the interest rates increased, we don't see a growth in loans," said Mr Oigara. *(Nation)*

Listed insurer Jubilee Holdings is eyeing Ethiopian market, board chairman Nizar Juma disclosed on Tuesday. Mr Juma also said at the insurer's AGM on Tuesday that Jubilee is awaiting grant of a licence to operate in the Democratic Republic of Congo (DRC) before year end. The insurer last year struck a partnership with State-owned insurance company, the National Insurance Corporation (Sonas) to operate in the DRC. Mr Juma, however, said the insurer is now on the verge of acquiring approvals that will allow it to operate independently and expand its operations in the country. "We could get the licence anytime from now to operate independently before the end of the year and we plan to scale up our operations in DRC," said Mr Juma on the sidelines of the firm's Annual General Meeting (AGM) held in Nairobi. Jubilee has been seeking to tap high demand for medical and life cover products in DRC since 2015. The DRC government liberalised its market last year, putting an end to the monopoly status granted to Sonas. But the law to open up the insurance sector in the country only came into force in March. Sonas is owned and controlled by the government and the lack of competition by insurance firms in the country has exposed its citizens to expensive policies. Foreign companies are required to have a minimum capital base of $10m (about Sh1 billion) to operate in the country. On its Ethiopia plans, Mr Juma said the insurer is waiting for the country to relax its laws in the sector. "Ethiopia looks set to be a promising market and we are waiting for the country to open up its laws to foreign companies," said Mr Juma.

Similar market dynamics will be at play for Jubilee, in Ethiopia where the insurance industry is relatively under-developed compared to those of other African countries. Most insurance companies in Ethiopia have sister banks and generate business by using them as a distribution channel. Jubilee's full-year 2015 net profit remained nearly flat at Sh3.12 billion compared to Sh3.1 billion posted over a similar period in 2014 as its gross premiums fell during the period. Jubilee, which also has operations in Uganda, Tanzania, Rwanda, Burundi and Mauritius saw its gross earned premiums decline by a billion shillings to stand at Sh23 billion during 2015 compared to Sh24 billion it posted the previous year. The insurer said it had defied a further hit as it had reduced dependency on the stock markets and diversified its investments into government bonds and other asset classes. Mr Juma said the insurer would invest up to $3 million (about Sh300 million) to curb runway fraud facing the Kenyan insurance sector. *(Nation)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Directors of the fallen Imperial Bank are facing Sh4 billion in penalties and being backlisted from holding the position in any listed company if the Capital Markets Authority (CMA) finds them guilty of misstating details in their Sh2 billion bond issue just before the bank sank in 2015. According to the CMA Act, if found guilty, the chiefs face disqualification from appointment as director, or licensed or approved person of a listed company. They may also be slapped with fines of up to two times the amount of the benefit accruing to the directors by reason of the breach. Lying to the CMA may also attract any additional financial penalties in such amounts as may be prescribed by the regulator. The CMA board says it has instituted hearings to determine the former directors' roles in and liability for; material misstatements contained in the information memorandum issued to the investing public. The authority says it is giving the directors a chance to be heard according to its law governing withdrawal of licences and imposition of sanctions and penalties. "CMA has today commenced enforcement proceedings for the individual former directors of Imperial Bank Ltd (IBL) under Section 26(8) of the Capital Markets Act, which requires the authority to give persons to be affected by its enforcement actions an opportunity to be heard before any action is taken," the authority said in a statement to newsrooms.

The market regulator says the probe will be conducted by its full board in light of the gravity of the allegations to be determined. The closure of Imperial Bank left the markets authority and the Nairobi Securities Exchange with egg on their faces, having approved the Sh2 billion fundraising that almost traded on the day the bank was shut down. Bond issuers ordinarily go through a rigorous approval process before being allowed to take cash. The Central Bank of Kenya (CBK) had to release a statement jointly with CMA, clarifying the problems at Imperial Bank had been brought to its attention by the bank's board of directors forcing the regulators to stop the listing of the Sh2 billion bond that was meant to start trading. Imperial Bank's board of directors collectively owned a third of the bank. The CMA is now instituting penalties eight months after the collapse of the bank after what it says was ample time to collect evidence. "The CMA has noted the proceedings were delayed to allow for the collection of necessary evidence and the actions will be without prejudice to potential liability of the former directors with respect to findings of complicity or knowing perpetration of the fraud scheme that resulted in the placement of IBL under receivership by the Central Bank of Kenya on October 13, 2015," the notice said. *(Nation)*

KCB and the Kenya Deposit Insurance Corporation (KDIC) plan to hire forensic auditors to conduct investigations into affairs at Chase Bank prior to its collapse. KCB Group chief executive Joshua Oigara says the auditors will look at the bank's books to unearth financial holes and advise on its future. "We will have a competitive process to select an independent auditor. That is between KDIC and us," said Mr. Oigara in an interview. Mr. Oigara spoke a month after Chase Bank's reopening after being put under statutory management by the Central Bank. KCB was appointed the receiver manager of the lender on behalf of the corporation. Mr. Oigara said the planned comprehensive audit would give KCB, which has expressed interest in acquiring a majority stake of the bank, a clearer picture of Chase Bank's financial health. "We cannot make another move until we have a comprehensive review. I think that will be a very good way of assessing the business," said Mr. Oigara. The KCB boss said plans to stabilise the lender's operations had borne fruit, resulting in resumption of key banking services and access to funds by its small depositors. The bank was placed under receivership after a run on deposits triggered by the ejection of two directors and restatement of accounts, which revealed huge non-performing loans.

"We have had a fairly good success in the last one month. Initially we had a facility of Sh5 billion which we would pay depositors; so far we've been able to pay out close to Sh3 billion. We have seen in addition of Sh1 billion in deposits in this period," said Mr. Oigara. Only depositors with balances of Sh1 million and below have full access to their cash, with Mr. Oigara estimating that it will take "about 60 days" for the large depositors to know when they will access their money. Chase Bank's 57 branches re-opened on April 27 under the management of KCB, working with KDIC. Mr. Oigara said Chase Bank's woes could be summed up as "gaps in oversight, governance and lending". Chase Bank's flawed loan issuance system saw it lend billions of shillings unprocedurally in what nearly brought it down. CBK said the directors had awarded themselves 15-year interest-free loans under the guise of Islamic banking. KCB has been verifying the collateral and documentation of existing advances. In late April CBK seized Sh8 billion from disgraced Chase Bank directors who awarded themselves the hefty interest-free loans. KDIC has in the past turned to external forensic auditors to probe the books of troubled banks under its management. Following the receivership of Imperial Bank, the Central Bank of Kenya hired an American consulting firm FTI Consulting to comb through the bank's books, processes and governance system to unravel the "unsafe and unsound business conditions to transact business" that led to the closure of the mid-tier lender in October last year. *(Daily Nation)*

A Dutch brewer is targeting the local market with strong alcoholic beverages, betting on opportunities presented by last year's ban on illicit drinks. United Dutch Breweries (UDB), the third largest brewery in Netherlands, will tomorrow formally make its entry into Kenya with the launch of Atlas and Royal Dutch range of beers. The firm's representatives arrived in the country earlier in the week for the Saturday launch as they seek a slice of the lucrative beer market in Kenya, dominated by Diageo-owned Kenya Breweries. UDB has appointed Jovet Kenya Limited, the immediate former distributor of its Dutch rival Bavaria beer, as its sole distributor in Kenya and the East African region. "Kenya is an exciting market and we are pleased to launch our products here. The variety of our product portfolio ensures that we have drinks that are affordable across all market segments. There is something for everyone," said UDB sales manager for Africa Sander Bos. He added that the Royal Dutch Post Horn beer will be the flagship brand as it is already being exported to more than 70 countries. It has an alcohol volume of 5 per cent. In Kenya, it will be available in a 500ml can, and also in non-returnable bottles of 330ml. The Atlas range by UDB is a range of strong beers ranging from 8.5 per cent alcohol volume. One strong Atlas beer is equivalent to four normal beers, hence a good product for those seeking to spend less on drinking. "The strong beer targets people who want to drink quality, premium beer but at a lower cost. It is ideal in curbing the use of illicit brews and second generation liquor because taking one is like taking three to four normal beers at the price of one so it is pocket friendly even for those people in the low-income areas," said distributor Daniel Munene. UDB will also launch Trio Stout, a dark iron-rich beer and a range of malted non-alcoholic drinks under the Classic brand. *(Standard Media)*

Economic News

The Kenyan shilling weakened a touch on Monday, undermined by a surge in corporate dollar demand ahead of a national holiday on Wednesday. At 0820 GMT commercial banks quoted the shilling at 100.70/100.80 compared with Friday's close of 100.65/75. *(Reuters)*

Kenya's inflation fell to 5 percent year-on-year in May from 5.27 percent a month earlier, the Kenya National Bureau of Statistics said on Tuesday. *(Reuters)*

In what is certainly good news for power consumers, the government has ruled out increasing electricity charges. Energy Principal Secretary (PS) Joseph Njoroge said Kenya Power should instead focus on reducing electricity leakages in its system, to grow its revenue. Kenya Power recently sought the approval of the Energy Regulatory Commission's to raise electricity tariffs, saying it needs to cover rising operating costs and upgrade its transmission network. Mr Njoroge, however, reiterated yesterday that the government's policy is to reduce the cost of electricity. The PS said Kenya Power should curb electricity leakages in its systems to increase the number of megawatts it sells to consumers as a way of increasing its earnings. The electricity distributor loses an estimated 17.5 per cent of the power bought from generators to illegal connections and leakages from transmission lines and substations. "The issue of tariff review is not possible at all. It's the government's position that there will be no tariff review and Kenya Power should be looking at cutting system losses to increase their revenue," said Mr Njoroge. Kenya Power managing director Ben Chumo said the firm had channelled Sh10 billion in the current financial year for strengthening transmission to cut the leakages to below 10 per cent.

Speaking yesterday during the signing of a power purchase agreement between Kenya Power and the Kipeto wind energy project, Mr Chumo said the quest to increase tariffs was informed by the need to pay for new power generation projects and to upgrade the transmission lines. The $320 million (Sh32 billion) Kipeto project is expected to add 100 megawatts to the national grid by the first quarter of 2018. The project will take 22 months to be completed. "We wanted to expand our infrastructure using the enhanced revenue, but now that our quest has been stopped, we are waiting for advice from the regulator on how to go about it," said Mr Chumo. The current power tariffs were last adjusted in July last year when Kenya Power made its first tariff cut of about Sh1 per kilowatt hour for homes that consume more than 50 units monthly. Low-volume consumers (those who use 0-50 units per month) currently pay Sh2.50 per unit and were unaffected by last year's tariff adjustment, which was the final phase of a billing structure that was set in 2013 for implementation over three years. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

First City Monument Bank (FCMB) has said that its business priority in the current financial year is to increase revenue, while putting into optimal use its technology to enhance operations across diverse business segments. The financial institution, which focus is to compete strongly in the retail space, said a key part of its business direction is to reduce cost to income ratio, while focusing on taking core customer propositions of being helpful and reliable to a new industry benchmark. Listing key challenges to achieving the feat as changing business environment and regulatory pressures, the Assistant Vice President and Group Head Information Technology at First City Monument Bank (FCMB), Emeka Eboegbune, said that the technology landscape in Nigerian banks is trending towards providing convenient products and services to customers on mobile devices, while utilising cloud technologies for more reliable services. Eboegbune noted that a key game changer for banks is their ability to utilise social media to reach a growing and diverse online population, the banked and unbanked. He described some of the technology challenges faced by financial institutions in Nigeria to include lack of availability of reliable network infrastructure across the country, security of the Banks' infrastructure as well as reliable power supply.

"Our present focus is the upgrade we have achieved in our core banking and other business applications to the latest available versions to meet and exceed customer demands and expectations, including a CRM (customer relationship management) system," he said. The bank recently unveiled a refreshed corporate identity, followed by the launch of its "world of opportunities" thematic campaign, which highlighted the values of FCMB as a bank that helps to identify, connect and harness opportunities unique to each individual, social class and other segments of the society. The financial institution adopted a strategy that is aimed at consolidating its focus as a technology driven-bank where banking services are very easy to use, seamless and accessible to all segments of the society. He said that the bank is channeling its energy towards simplified banking services and products, as recent reports unanimously identified FCMB as offering, among a few other banks, the best of social and alternate banking channels in Nigeria. *(Guardian)*

The latest returns on forex utilisation for FirstBank Nigeria Limited have shown that the bank was allocated $13,745,768.19 by the Central Bank of Nigeria (CBN) last week. The returns published in THISDAY Monday showed that FirstBank sold the greenback to 678 customers. FirstBank's biggest customers, according to the returns dated May 19, were Dangote Cement Plc, which got $2 million for the importation of machinery for its cement plants; Gulf Treasures Limited, which purchased $1 million from the bank for the importation of gasoline; and Kam Industries Nigeria Limited, which got $1 million also. The bulk of the forex it sold was for the payment of school fees abroad. *(This Day)*

Cadbury Nigeria Plc on Tuesday recommended a gross dividend of N1.221 billion for the year ended December 31, 2015. The dividend, which translates to 65 kobo per share was recommended despite a fall of 46 per cent in the bottom-line. The details of the audited results made available yesterday showed that Cadbury recorded a revenue of N27.825 billion, which is nine per cent lower than the N30.519 billion. Cost of sales fell from N22.135 billion, from N18.894 billion. Gross profit stood at N8.930 billion, up from N8.384 billion. Selling expenses grew from N4.878 billion to N5.621 billion, while administrative expenses jumped from N1.489 billion to N1.909 billion. Consequently, profit before tax fell by 34 per cent from N2.381 billion to N1.572 billion, while profit after tax fell by 46 per cent from N2.137 billion to N1.153 billion. In spite of the lower profit, the directors recommended a dividend of N1.221 billion, which is 65 kobo per share. Meanwhile, the positive trend in the Nigerian equities market was reversed yesterday as the Nigerian Stock Exchange (NSE) All-Share Index dipped by 4.3 per cent to close at 27,671.08. Market capitalisation sheds N425 billion to close at N9.5 trillion. Market analysts attributed the return of the bears to profit taking and investors' reaction to uncertainty surrounding the foreign exchange policy, which was not mentioned in the President Muhammadu Buhari's speech on Democracy Day. After hitting a year high of 28,902.25 last Friday on the back of the decision of the government to adopt flexible foreign exchange policy, lack of details has created an uncertainty, which made the benchmark to fall yesterday. The decline has sent the year-to-date decline back to negative region. The bears were influenced by market bellwethers such as Zenith Bank Plc (9.7 per cent decline) Nigerian Breweries Plc (4.9 per cent) and Dangote Cement Plc(4.6 per cent).

All the sectoral indices trended southwards led by the NSE Banking Index, which fell by 6.6 per cent on the back of losses by Zenith Bank Plc (9.7 per cent) and Guaranty Trust Bank (5.2 per cent). The NSE Industrial Goods Index declined 5.5 per cent following losses recorded by Lafarge Africa Plc (7.8 per cent) and Dangote Cement Plc (4.6 per cent). *(This Day)*

Diamond Bank Plc fired 200 workers who failed to meet the Nigerian lender's basic minimum performance standards as it reduces costs to cope with an economic downturn. "The rightsizing was a core strategic exercise in line with the bank's growth objective,"
Lagos-based Diamond Bank said in an e-mailed response to questions on Wednesday. The reductions will help the company's "drive to optimize cost and enhance value" for shareholders, it said. The job cuts come as the central bank of Africa's largest economy predicts the country will soon enter a recession and follows an announcement last month by FBN Holdings Plc, the nation's biggest lender, that it will gradually trim its workforce to 7,000 from 8,000. Diamond Bank employed 4,954 people last year, compared with 5,233 in 2014, according to data compiled by Bloomberg. An upsurge of militant attacks since February has sent crude production, which usually accounts for 70 percent of government revenue, plummeting to an almost 30-year low. Delays in approving a budget and a cabinet as well as President Muhammadu Buhari's refusal to weaken an overvalued currency have caused foreign investors to flee. Diamond Bank used annual appraisals to dismiss workers "whose performance scorecards were adjudged to be lower than the minimum required to drive its strategic growth plan for the business year," the company said in the statement. "With its trim-and-fit workforce, the bank is sure to meet its target for the current business year."*(Bloomberg)*

The gale of job losses being witnessed in the country due to the current economic hardship has caught up with Ecobank Nigeria, which has sacked over 1,040 of its employees. The PUNCH reported on Tuesday that Diamond Bank Plc sacked over 200 members of its workforce, while FBN Holdings, the parent company of First Bank of Nigeria Limited, recently said it would prune the number of its employees by 1,000. Investigations by our correspondents revealed that the affected staff members of Ecobank included full time and contract workers. Top officials of the pan-African lender confirmed to our correspondents that the initial list of those to be sacked had over 1,400, workers but was later reduced to "a little above 1,000." Ecobank spokespersons declined to comment on the number of workers who were disengaged. However, the lender said in a statement that it had converted over 200 outsourced personnel to permanent employees as part of its drive to attract and reward talent, while also repositioning for improved efficiency. In line with the recognition of excellence, the bank also said it had recently implemented a merit-based pay increase for the top performers across all cadres. The Managing Director, Ecobank, Mr. Charles Kie, was quoted as saying that converting qualified outsourced staff to permanent workers was in line with the bank's commitment to developing and growing talent by nurturing its people along their career paths and giving them access to higher responsibilities. He said the bank was resolute that recognising and rewarding excellence would drive its goal of achieving exceptional performance in the industry.

Kie said, "The bank, in its renewed drive for optimal performance, has in addition realigned certain roles bank wide to ensure improved efficiency. This necessitates the exits of some staff who were adequately compensated. "This is in furtherance of a market repositioning exercise designed to strengthen the bank's business across all markets where it operates." He emphasised that the ETI was on a trajectory to achieve leadership and that the Nigerian subsidiary remained one of Ecobank Transnational Incorporated's major affiliates as well as one of the country's systemically important financial institutions. Kie explained, "Our focus is to improve the quality of service to our customers as well as our operational efficiency. "We understand that people are our key assets; so, we have emphasised the need to reward our best performers, continue to re-invigorate our people, while also opening up new opportunities for talented and committed people to join us as permanent employees. At the same time, based on our repositioning plan, we had to disengage some staff, while ensuring that, in line with industry standards, they are treated fairly." Ecobank Nigeria is a member of the Ecobank Group, which is present in 36 African countries. The Group employs nearly 19,000 people from 40 different countries in over 1,200 branches and offices. ETI had posted over N40bn decline in its profit for the 2015 financial year owing to high impairment charges.*(Punch)*

Chairman of Seplat Petroleum Development Company Plc, Dr. ABC Orjiako has said the company would invest more in its gas business in order to boost revenue and shareholders value in the years ahead. Orjiako stated this Wednesday at the 2015 post-annual general meeting (AGM) news conference in Lagos. According to him, the company invested $300 million in its gas business in 2014, assuring that about $500

million would be invested in the current year so that its revenue would be improve and shareholders reap more. The Seplat boss disclosed that the company in 2015 completed and inaugurated the Oben Gas plant phase 1 expansion programme which doubled its gross processing capacity to 300 million standard cubic feet (mmscfd). "The Oben gas plant phase 11 expansion is underway with additional processing modules ordered. Once installed, the additional processing modules will take gross processing capacity to an expected minimum level of 525 mmscfd," he said. Orjiako also said that the company would continue to deliver good returns to the shareholders in spite of the obvious headwinds facing the sector. He explained that its dual listing also on London Stock Exchange (LSE) had made the company visible to international scrutiny and as an attractive entity to investors across the world. Orjiako added that the listing made the company to have access to capital not only in Nigeria but all over the world. In the unrest in the Niger-Delta, he said that the company would continue to engage its host community to avoid disruption of operations. "Seplat takes its host community as real partners and stakeholders and we will continue to build on the relationship," Orjiako added. Speaking in the same vein, the Chief Executive Officer of Seplat, Mr. Austin Avuru, said that the company in 2015 acted quickly and decisively in response to the weak oil price environment by adjusting on its work programmes and cost structures. Avuru said the company's 2016 full year production expectation had been impacted by the current shut-in of the Forcados terminal. He, however, said that the company was better positioned to withstand such interruptions than in prior years. "Our gas business takes on additional importance by providing a continuous revenue stream that is de-linked from the oil price," Avuru stated. Sent from my BlackBerry wireless device from MTN. *(This Day)*

The British American Tobacco Nigeria is seeking the enforcement of Tobacco Control Act, one year after its enactment. The firm disclosed this in a statement made available to our correspondent. The statement quoted the Director, Legal and External Affairs, BAT West Africa, Freddy Messanvi, as saying that in line with the firm's belief in the value of a balanced, workable and evidence-based regulatory framework, BATN continually supports the objective of ensuring the effective implementation of practical tobacco control measures, provided that these measures adequately combat smoking activity in a manner which is proportionate, not duplicating or contradicting existing laws, and does not unjustifiably limit any rights or objectives. The Tobacco Control Act, which was passed by the 7th National Assembly and signed into law in 2015, seeks to bring order into the manufacture, promotion and distribution of tobacco products in Nigeria. BAT noted that a year after the enactment of the TCA, enforcement had not been fully implemented in Nigeria and this had provided opportunity for illicit products to thrive.

Messanvi said that for a regulation to be effective, it must be very clear in terms of set objectives and should not leave the market at the mercy of smugglers and criminal gangs.He said, "We are a responsible organisation that has constantly paid taxes and abided by the laws and regulations of Nigeria, supporting a success story of Foreign Direct Investment and local production in our operations. We have been proactive by ensuring compliance with all requirements of the law. "At this point, we can only appeal to all relevant government agencies saddled with the responsibility of implementation to speedily commence the enforcement of the TCA. "As a responsible organisation, we will continue to obey the laws of the country we operate in and will support the effective implementation of the TCA by setting a new global benchmark in tobacco control." *(Punch)*

Economic News

Nigeria's president on Sunday said he would hold talks with leaders in the oil-producing Delta region to address their grievances in a bid to stop a surge in pipeline attacks, but that an army crackdown would continue. People in the southern Delta region, where oil giants such as Royal Dutch Shell and Chevron operate, have for years complained about the oil industry's pollution and of economic marginalisation by the state. Some have taken up arms and a recent surge in attacks on oil installations has cut Nigeria's oil output to a 20-year low. "The recent spate of attacks by militants disrupting oil and power installations will not distract us from engaging leaders in the region in addressing Niger Delta problems," President Muhammadu Buhari said in a televised speech marking his first year in office. Buhari said the government was committed to a clean-up of polluted areas. "I believe the way forward is to take a sustainable approach to address the issues that affect the Delta communities." Local officials and Western allies such as Britain have told Buhari that moving in troops to the

Niger Delta would not be enough to stop the attacks and that the population's grievances would have to be dealt with. Security operations would go on, Buhari said in his speech. "We shall apprehend the perpetrators and their sponsors and bring them to justice." But as his address was being broadcast, residents in the Delta village of Oporoza, home of a former militant leader, said the army had raided their community and was not allowing the evacuation of any wounded.

"No person is allowed to move in and out of Oporoza," said the Ijaw Youth Council, which represents the largest ethnic group in the region. "A 40-horse power speed boat which came to rescue residents in serious medical condition was seriously attacked by the military." In its own statement, the army said it had exchanged gun fire with a militants attacking a crude pipeline run by Italy's ENI, hours after a group called Niger Delta Avengers militants claimed another strike against oil facilities. The army's statement did not mention Oporoza. Apart from the militant attacks in the Delta, Nigeria's oil revenues have also been hit by a slump in oil prices, leaving Africa's largest economy in crisis. On Thursday, Oil Minister Emmanuel Ibe Kachikwu said an amnesty programme for former militants, signed in 2009 to end a previous insurgency, needed to improve. The scheme providing cash benefits and job training to those who lay down their arms has had its funding cut by two thirds. Buhari has also upset former militants by ending contracts to protect pipelines, part of a drive to tackle graft. *(Reuters)*

Nigerian President Muhammadu Buhari said on Sunday the government had resolved to keep the naira's exchange rate steady while supporting the central bank's decision to move away from the dollar peg, which is seen as overvaluing the naira. Last week the central bank said it would shift to a more flexible exhange rate policy to stop Africa's biggest economy sliding into recession but has yet to say exactly what the new policy is. "We resolved to keep the Naira steady as, in the past, devaluation had done dreadful harm to the Nigerian economy," Buhari said in the text of a speech published by his office on Sunday. "I supported the monetary authority's decision to ensure alignment between monetary policy and fiscal policy. We shall keep a close look on how the recent measures affect the naira and the economy," he said. "But we cannot get away from the fact that a strong currency is predicated on a strong economy," he said, reiterating his opposition to a devaluation. *(Reuters)*

The International Institute for Petroleum Energy Law and Policy (IIPELP) has said Nigeria would refine up to 1.3 million barrels of crude oil daily (mbpd) by 2023 to meet the fuel demand of her growing population. IIPELP, an energy law and policy think-tank disclosed this in its recent policy analysis and brief on the government's review of operations in the country's downstream, which saw it increase petrol pump price. The policy brief was obtained by THISDAY in Abuja. It contained amongst other things, the Institute's support for the government decision on the downstream sector, but called for deeper policy thrusts. It said at the country's current crude oil production level, such demand would be huge on the country, hence, the need for proactive policy measures to avert possible instances of energy crisis. "In IIPELP's analysis, by 2023, given the current rate of growth, Nigeria's refining capacity would have to grow to 1.3 million barrels of oil per day which currently exceeds government entitlement crude under current fiscal arrangements. "This means that Nigeria would need to import crude to feed potentially an expanded refinery capacity or compel its partners' entitlement crude to be delivered to the domestic market," said the institute in the brief. It explained its choice to support government's recent move in the downstream sector saying: "IIPELP welcomes the move by the federal government, though belatedly, to restore some semblance of macro-economic stability in the country. "Going by the latest news of a possible devaluation of the currency, these steps would enable sound economic management and encourage genuine investors."

It further said: "The removal of subsidy or shall we say, the adjustment of petroleum products prices to reflect an exchange rate closer to reality should allow for the country to be served by oil companies other than NNPC. IIPELP has always believed that the way to reform the petroleum sector or any other sector is to incentivise supply and this can only be done when there are potentially, multiple sources of that supply and investment decisions can be made on a sound economic basis." The Institute added that between 2010 and 2014, Nigeria spent in excess of ₦7 trillion on a subsidy programme it said was widely fraudulent. It added: "In the process, the country exhausted its "excess crude account" and increased domestic borrowing from ₦4trillion as at 2010 to ₦11 trillion as at end of the year 2014." Subsidy in Nigeria, it explained represented the largest wealth transfer scheme from the poor to the wealthy ever invented. It said in its advice to the government on the best way to manage the process: "It is trite that the liberalisation of the downstream petroleum sector is both a

necessary and sufficient condition for Nigeria's economic development. "However, it is apt to state here that this policy has had a track record of success in countries where there is economic transparency, fiscal discipline and consolidation." "IIPELP's position is that this decision of the government will be akin to "chasing shadows" if these policies are introduced, as they have, without a complementary emphasis on fiscal discipline and strong institutional governance. "Worthy of note is the fact that fiscal discipline goes beyond simply fighting corruption activities by past leaders in the country, this is only a part of it. A good fiscal discipline framework should and must be non-partisan," it added. *(This Day)*

Nigeria's banking share index plunged 8.5 percent on Wednesday, as investors expressed concern about a lack of detail over the central bank's new currency policy. The main share index fell 2.7 percent to 26,925 points by 1100 GMT, declining for a second-day, dragged down mostly by a sell-off in banking stocks. The All Share Index closed down 4.26 percent, its biggest daily drop in 16-months. The central bank said last week it would introduce a flexible currency regime and abandon its 15-month naira peg to the dollar, a policy U-turn designed to boost exports, local manufacturing and stave off a recession. However, the bank has yet to clarify how the new policy would work, spooking foreign investors, long worried about getting caught in the middle of a currency devaluation. The index was dragged down by Zenith Bank and Guaranty Trust Bank, which fall 9.68 percent each, Diamond Bank drops 9.38 percent and First City Group falls 9.36 percent. Other decliners include Access Bank down 8.47 percent, Fidelity Bank, 6.77 percent, FBN Holdings down 5.06 percent and Ecobank transnational Inc. 4.72 percent. *(Reuters)*

Nigeria will hold a non-deal roadshow in London next week, government sources said on Wednesday, as Africa's biggest economy explores fund raising options to finance a record budget deficit widened by the fall in vital oil revenues. Finance Minister Kemi Adeosun with officials from the central bank and debt office will meet investors next Tuesday to update the market on government policies. Standard Chartered Bank is organising the meeting, the source said. Nigeria plans to borrow as much as $10 billion from debt markets, with about half of that coming from foreign sources, to help fund a budget deficit worsened by the slump in oil prices that has slashed revenues and weakened the naira. *(Reuters)*

Director-General, National Pension Commission,(PenCom), Mrs Chinelo Anohu-Amazu has revealed that Nigeria's pension funds now stand at about N5.4 trillion with approximately seven million contributors. Anohu –Amazu who spoke Anohu-Amazu said this while speaking on the Role of Regulators in Deepening Capital Market at the 2016 Business Day Capital Market Conference in Abuja added that the Nigeria had the capacity to generate more and her Commission is already trying to do this through micro pension. The theme of the conference was," Deepening Nigeria's Capital Market through Maximum Utilisation of Pension Funds.'' The PenCom DG who added that pension fund was one of the single largest institutional investments in Nigeriaoperes ently however operators of the fund to derive ways of developing products that they invested in the country. She said that the challenges faced on investments of pension funds were arise from lack of creativity of the operators. "The PFAs are constrained; they are unable to develop the products they invest which is why we have a preponderance of the pension funds in federal government securities, there are no alternatives. "Part of the thing I want to throw out to operators in this room is to work towards developing alternatives and new products,'' she said. The Director-General said the regulators were doing their bit at ensuring that the PFAs were highly regulated. She said several regulations had been done and what was left was to ensure the official issuance of those regulatory actions in the sector. "Our eyes are on two things; protecting the funds and making sure that its primary mandate as required by law, which is paying retirement benefit as and when due, is not tampered with. "That mandate also extends to making sure that the value is not eroded, and it will be our joy that various institutions are deepened by the pension fund and the capital market is just one of those institution," she added.

She said the issue of channeling the pension fund to the capital market was welcomed as long as the contributor was assured of the channel the fund was taken to and its safety. She added that this could be achieved through efficient regulation and prudent management of the fund. Also speaking at the event, the Managing Director, Nigeria Deposit Insurance Corporation,Alhaji Umaru Ibrahim, said one of the major challenges in the sector was the unwillingness of people to invest. He said,"it is not only about raising the money but finding ways to invest it and we also have to be conscious of the returns and the risk involved in investment. The Principal, Bain and Company Nigeria, Mr Jude

Uzonwanne said lack of competition at the PFAs was causing "an extreme conservatism in the sector''. According to Uzonwanne, regulators should not only face trend but be more effective by focusing on changes that will trigger competition among PFAs. He said mergers and acquisition should be encouraged as it would make CEOs to sit up and urged that family companies should be taken public to ensure sustainability. *(This Day)*

The Central Bank of Nigeria has failed to dispel uncertainty over the implementation of the flexible exchange rate policy that will lead to the abandonment of the naira peg, bankers said on Thursday. A meeting between the CBN Governor, Godwin Emefiele, and local currency traders under the aegis of the Financial Market Dealers Association on Wednesday to discuss the policy did not yield the desired result, according to a report by Reuters. The central bank announced last week plans to abandon the naira's 15-month peg to the dollar, which has overvalued the Nigerian currency, harmed investments and caused the economy to contract. However, the bank has yet to clarify how the new policy would work, spooking foreign investors, long worried about getting caught in the middle of a currency devaluation. "We are unlikely to get anything in the next two to three weeks. I don't think the guidelines are ready. The reality is that he (the governor) does not understand the meaning of signals," said one senior banker, speaking on condition of anonymity. "By not coming out (with the details) the governor has shown he doesn't believe the policy. There is the risk the policy could be reversed," the senior banker added. However, the CBN said on Thursday that it would issue the guidelines for the flexible exchange rate policy at the "appropriate time." Responding to enquiries by our correspondent, the Acting Director, Corporate Communications Department, CBN, Mr. Isaac Okoroafor, said the guideline would soon be released by the apex bank. "When we are ready, we will release the guideline. Be rest assured that the guideline on the flexible exchange rate policy will be released at the appropriate time by the CBN," he said and declined to make further comments.
Dollar deals dried up on the interbank market on Thursday as investors stayed on the sidelines, dealers said, in a sign of the continued uncertainty created by the new policy. The stock market posted its biggest daily decline in 16 months this week as investors waiting for clarity sold shares. The main index gained 1.02 per cent on Thursday, clawing back some losses. Analysts at DaMina Advisors said the delay could cause the central bank to backtrack as it tried to reconcile the new policy with President Muhammadu Buhari's vow not to devalue the naira. The President has for months rejected calls to devalue the naira. During his Democracy Day speech on Sunday, he backed the central bank's flexible policy on the currency but said he was still against a devaluation. *(Punch)*

The Federal Government has assured manufacturers that it is set to revive the Export Expansion Grant adding that the result will be out soon. The Minister of State for Industry, Trade and Investment, Aisha Abubakar, disclosed this while addressing manufacturers recently. She said, "The ministry, apart from the industrial policies, has economic strategies anchored on free market economy, free entry and exit of factors of production, local resources development and utilisation. "This entails enhancing capacity utilisation in manufacturing sector as well as vigorous export promotion and expansion through the provision of appropriate mix of incentives to local and foreign investors, manufacturers and exporters so as to encourage increased domestic production and export of made-in-Nigeria goods. "To assure you of the present administration's interest in manufacturers' activities, the issue of the EEG/ Negotiable Duty Credit Certificate claims is being addressed and the review will very, very soon be concluded." The EEG had been a subject of conflict and debate between manufacturers and government since its suspension in 2013. The grant was an incentive created by the government to promote the export business in Nigeria. It was created in the form of NDCC which was to be traded from financial institutions and to be used to settle duties payable on imports to Nigeria. But allegations of abuse led to the suspension of the scheme. Exporters have said the suspension left them with N150bn in unclaimed NDCCs. Since 2014, stakeholders in the non-oil export sector have been consistent in their call for a revival of the scheme and payment of the pending claims. *(Punch)*

Tanzania

Corporate News

THE Dar es Salaam Stock Exchange initial public offers is expected to hit a jackpot as both short and long term investors have already shown insatiable appetite. Some stockbrokers said as the IPO enters its final week, demand for the bourse shares started to soar and they expect to sale thrice the amount sold in the first two weeks of the exercise. Orbit Securities General Manager, Juventus Simon said the demand since day one of IPO was good after the would-be-investors understood the bourse revenue generation philosophy. "They (investors) have understood well DSE's income philosophy. The selling trend is going at pleasing pace," Mr. Simon said "we expect good subscription." Orbit Securities is the sponsoring broker of the IPO that paves the way for the demutualisation process. DSE will be the third exchange in Africa to self-list after Johannesburg and Nairobi. Mr. Simon said previously many investors failed to understand income source of DSE thinking it may raise conflict of interest with other listed firms. "But we have educated them that the bourse income is much separate from the listed firms…that the exchange generates its revenue by collecting various fees," Mr. Simon said. The DSE has mainly three business segments namely listing fees, transaction fees and other stock exchange related services such as data selling. The bourse currently wants to raise 7.5bn/- through initial public offer, with a green-shoe of 5.0 per cent. The exchange offered 15 million shares to public at 500/- each.

Zan Securities Chief Executive Officer Mr. Raphael Masumbuko said going by those came to ask and buy for the DSE shares 'over subscription is imminent'. "The name itself (DSE) assists on selling of the share. Since DSE champions for transparency self-listing implies that the exchange will be crystal clear on their activities," Mr. Masumbuko said. He added: "investors anticipate more companies to list on the bourse in near future. This move will increase gross revenue generation, then big return." Mr. Masumbuko said some investors thrust to buy share based on the success of Nairobi Securities Exchange and Johannesburg Stock Exchange self-listing. "People (investors) know how successful these exchanges have been after listing thus pegging the same on DSE," he said. Already, DSE is expecting a hefty profit next year as the performance and activities of the bourse continues to increase. Earlier, the bourse CEO Mr. Moremi Marwa told the 'Daily News' that the projections of the remaining nine months of this year suggest a profit of 1.4bn/-. "We anticipate a profit rise next year…since prospects are good," Mr. Marwa said, without mentioning the actual estimated profit figure. DSE, in 2014/15, posted a profit of 1.94bn/-, while from July 2015 to March 2016 the bourse registered a net income of 1.74bn/- and revenue was 3.41bn/. In the near future the bourse envisages introducing five new business products in collaboration with Capital Markets and Securities Authority (CMSA). The products, both for capital raising and for risk management purposes, are Real Estate Investment Trust, futures and derivative, Exchange Traded Funds (ETFs), closed ended collective investment schemes and municipal bonds. *(Daily News)*

BancABC has embarked on an intra-Africa regional banking campaign which intends to explore business opportunities, expressing optimism that Tanzanian businesspeople have a greater chance to reap benefits. Speaking in Dar es Salaam at a cocktail event organised by the bank to its customers and other key stakeholders, Intra-Africa Trade Group head, Mr Mabouba Diagne, said the campaign came as a blessing to Tanzanians as they stand a chance to grab appropriate opportunities. According to him, the 20 million US Dollars investment will help Tanzanian businesspeople to do cross border transactions in a bid to reduce unnecessary disturbances. "We are here to partner with you and give you business that you deserve," he added. Mr Diagne further confirmed that BancABC part of Atlas Mara had already expressed interests of acquiring Barclays Africa and that it had already released a statement in the London Stock Exchange. Speaking at the event, BancABC Managing Director, Mr Dana Botha said since it started operations in 1996; the bank has managed to get more than 40 thousand customers, insisting that his institution was making good progress in the market. The bank is currently operating in eight African countries and as part of Atlas Mara and with 16 years in the country, customers in Tanzania can enjoy interest bearing current account with competitive interest rates of up to 7 per cent in local currency and 1 per cent in foreign currency. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Economic News

A LOCAL economist has taken issues with the recent World Bank caution to Tanzania over-reliance on China, saying the Asian economic powerhouse has become a saviour and genuine partner of Africa. Prof Humphrey Moshi of the University of Dar es Salaam (UDSM) told the 'Daily News' in an interview on Monday that World Bank caution on over-reliance on China should be treated with caution as some policies had failed many African countries. "World Bank suggestion has saddened me. We shouldn't forget we have been implementing their policies for two decades now and look at where we are," he said in his reaction to the warning by the World Bank that increasing economic ties between Tanzania and China could be threatened by Beijing's faltering growth. He said there were aspects in World Bank and IMF policies that did not deliver as expected and as a result they compounded problems in some African countries. Prof Moshi said World Bank and IMF were the architect of 'the Washington Consensus,' which is responsible for the worst inequalities and the explosion of poverty in the world, especially in Africa. The Bretton Woods institutions had made themselves 'indispensable' in order to strengthen and expand their power and influence in Africa, he said. According to him, their reaction when Tanzania and some other countries in Africa take 'look East' policy to develop its manufacturing sector, infrastructure boost economy was not surprising.

"The saviour of industrial policy is China and other developed nations of the East. We stand to gain from China's relocation plans. It is the right time to grab the opportunities," he said. China is considered as the most promising investor to help build Africa's manufacturing base and build infrastructure network to facilitate relocation of its labour-intensive industries to Africa. Prof Moshi said China is willing to help Africa build infrastructure network, achieve industrialisation by scaling up financial, technological and human resources support to Africa. A World Bank report shows that Chinese investment in Africa is increasingly shifting towards the manufacturing sector as the Asian nation diversifies out of primary sectors such as agriculture and mining. Manufacturing is key to Africa's future development, the report notes. China is Africa's largest trading partner and the trade volume between them amounted to $220 billion in 2014. China has become Tanzania's largest trading partner and second largest source of investment. Bilateral trade reached 2.47 billion US dollars last year, up 15.2 per cent year on year, according to Xinhua. China has supported Tanzania in construction of major transport infrastructure projects including the 1,860 km long TAZARA railway line in the mid 1970s which at the cost of 500 million US dollars, it was the largest single foreign-aid project undertaken by China. It also facilitates a 1.2 billion US dollars loan from Export-Import Bank of China for the 532 km (330 mile) Mtwara- Dar es Salaam natural gas pipeline and gas processing plants designed to deliver higher volumes of natural gas for power generation and other applications.

Last December, during a summit of the Forum on China-Africa Cooperation in South Africa, Chinese President Xi Jinping told African leaders his country would pump $60 billion into development projects, cancel some debt and boost agriculture under a three-year plan that will extend Beijing's influence in the continent. Xi said China would step up investment in factories manufacturing goods for export in Africa, in addition to building roads, ports and railways on the continent. Prof Honest Ngowi of the University of Mzumbe, Dar es Salaam campus said the 'look East' policy for some countries in Africa was good as it seeks to diversify sources of borrowing and even trade. "It is always good to diversify your portfolio ... your sources of borrowing and even trade because in case of external shock, these may absorb the shocks ... then you have exit route, this applies even in trade," he told the 'Daily News.' However, he said it was important to judge World Bank caution on its merit. "The question should not be who issued the advice ... What matters is if it makes sense," he said. In its economic update on Tanzania in a report titled, The Road Less Travelled: Unleashing Public-Private Partnerships in Tanzania, the World Bank observes that in recent years, the Chinese economy has been slowing down, partly reflecting a rebalancing towards a consumptiondriven, services-oriented growth model. It says China's faltering growth may have sizeable knock-on effects on the Tanzanian economy as a result of a deceleration in exports. A sharper-than-expected slowdown in China could spill over into the Tanzanian economy through both direct and indirect investments. *(Daily News)*

SHILLING depreciation is expected to narrow this year as the local currency will be gaining from weaker US dollar and positive balance of payment. BMI Research, a Fitch Group Company forecast the shilling on average to depreciate below 8.0 per cent against the US Dollar this year from an average of 22.4 per cent last year which compelled the Central Bank to take measures to correct the free-sliding. "The shilling

will experience a much less rapid pace of depreciation in 2016 than in 2015," BMI Research, a Fitch Group Company, said on its latest Tanzania Country Risk Report. The document gave the reason behind less depreciation in this year as due to "benefits from a weaker US dollar, positive balance of payments dynamics and improved local sentiment." However, the report showed that a major risk to the country economic outlook comes from the weather. "Poor rains would not only exacerbate tight food supplies … but would also once again hamper hydroelectricity production, raising costs for businesses and by extension, consumers," the report said. The country economy depends on agriculture and agro-exports inflows assist smoothening shilling depreciation, while food inflation was the major driver of rapidly rising headline inflation in 2011. The Bank of Tanzania (BoT) figures show that the shilling since January has depreciated around 1.5 per cent to 2,192/97 of yesterday. BoT early this month said the shilling was expected to strengthen this year as inflows are expected to improve as trends show stabilisation.

The central bank said currently trends show the shilling has find a new market equilibrium which was good for economic stabilisation. The shilling has remained stable and expected to hold firm for the rest of the week, thanks to BoT intervention and end of month inflows. CRDB Bank said on its market highlights report that the end of month inflows and central bank intervention will likely stabilise the prices throughout this week. "We expect the shilling to remain stable supported by end month inflows and dollar supply from agricultural sector, tourism and mining that is enough to counter demand from the oil and energy sector," CRDB said. International Monetary Fund (IMF) said when replying the letter early this year that the shilling depreciation was largely reflected the global strength of the dollar. The IMF also said domestic factors contributed to the volatility and such as the loosening of monetary policy in late 2014. "Staff's preliminary assessment is that the recent depreciation has brought the real effective exchange rate, which was last assessed in 2014 to be somewhat overvalued, closer to equilibrium," IMF report showed. *(Daily News)*

Tanzania's energy regulator raised maximum retail prices on fuel on Friday, citing higher international crude oil and refined product prices, a move expected to exert upward pressure on inflation. Fuel prices have a big effect on the inflation rate in the east African country, which slowed to 5.1 percent year-on-year in April from 5.4 percent the previous month. The Energy and Water Utilities Regulatory Authority (EWURA) raised the retail price of petrol by 4.49 percent and the price of diesel by 1.95 percent. Maximum kerosene prices were raised 1.84 percent in the latest monthly price caps, which take immediate effect. "To a large extent, increases in wholesale and retail local petroleum products prices have been caused by the continued increase of petroleum products prices in the world market," EWURA said. The regulator increased the price of petrol in the commercial capital Dar es Salaam by 80 shillings ($0.0366) a litre to 1,865 shillings, and the price of diesel in the capital by 31 shillings to 1,633 shillings. Kerosene prices in the commercial capital rose 29 shillings to 1,607 shillings per litre. *(Reuters)*

Zambia

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Zimbabwe

Corporate News

ZB Holdings says its non-performing loans are unlikely to fall below the Reserve Bank of Zimbabwe set threshold of below 10 percent by June and has engaged the apex bank over the issue. This comes as the group has agreed with RBZ's special purpose vehicle, Zimbabwe Asset Management Company, for the takeover of $6,3 million of its bad loans for which ZB will take a 56 percent discount and, effectively, get a net of $3,5 million. Group chief executive Ron Mutandagayi told shareholders at the annual general meeting on Friday that NPLs had remained high at 20 percent of total loans by April 30 and are unlikely to reduce below 10 percent by end of June. The central bank has set June 30 as the deadline for banks to reduce NPLs, which peaked at 20 percent in September 2014, to 10 percent and further down to 5 percent by the end of this year. "The NPL ratio is, therefore, unlikely to reduce below 10 percent by June 30, 2016. Discussions with regulatory authorities on this matter are ongoing," the ZB group CEO said. Against this background, Mr Mutandagayi said management of NPLs remains a key focus area for the group and this will include aggressive recovery of debts and lending to quality clients. He said while simply increasing new loans and advances would bring the ratio of NPLs down, by increasing the denominator, this would not address the core issues attributed to the difficult macro-economic climate in the country. "Such an approach may have the negative impact of a poor asset quality in the future and consequently an increased charge against capital. A cautious approach focusing on the aggressive recovery of debts combined with new lending to good quality clients would be pursued," Mr Mutandagayi said. Like many other financial institutions ZB will sell, at a discount, $6 million of its bad loans to the RBZ's special purpose vehicle formed to cleanse banks' loan books of toxic loans and allow the institutions to lend fresh credit to borrowers.

Giving an update on the financial performance of the group for the four months to April 2016, Mr Mutandagayi said the performance noted in the previous year has continued, but the pace has slowed down due to difficult economic conditions. The group's operating income increased marginally by 1 percent to $19,4 million in April from 19,2 million the prior year driven by a 19 percent growth from trading and lending activities and 38 percent increase in re-insurance income. Cumulative profit for the four months to April amounted to $2,3 million from $2 million the prior year while cost to income ratio was 78 percent from 76 percent in the same period last year. However, the performance was offset by a 21 percent reduction in net life assurance income, as well as 4 percent reduction in non-funded income, Mr Mutandagayi said. The increase in income from trading activities was influenced by the release of discounts on treasury bill, 18 percent reduction in funding costs and lower charge on loan impairments, which stood at $1,5 million for the period to April. Reinsurance premiums increased due to renewals which were brought forward to the first quarter of 2016. Of the gross premium written, 86 percent was written from local operations while 14 percent was sourced from Mozambique. Net life insurance reduced by 21 percent largely influenced by increased death claims on the ZB cash funeral cover to April while life assurance cover expense expanded by 33 percent. *(Herald)*

Zimbabwe's largest telecommunication company, Econet Wireless, on Wednesday reported a 42 percent fall in annual profit to $40 million, citing a high depreciation charge and the effects of a government sanctioned tariff cut. Government last year effected a 35 percent voice tariff reduction and imposed a five percent excise duty on airtime sales, a 25 percent duty on handsets, and a five cents levy per transaction on mobile money transfers. As disposable income falls, Econet's 10 million subscribers are spending less on their phones, with average revenue per user (ARPU), falling from $8,14 per month in the previous year to $6,84. The company warned that falling consumer spending would put Zimbabwean businesses under increasing pressure. Total revenue at $641 million was down 14 percent compared to $746 million achieved last year. Earnings before Income Tax and Deprecation (EBITDA) amounted to $238 million from $285 million in the previous year. "This reduction in revenue was as a result of the regulatory price reductions and increased levies as well as the deterioration of the economic environment," said group chief executive Douglas Mboweni while presenting the company's financial results.
"We estimate that the adverse impact of the tariff on the full year revenues was about $95 million." The number of subscribers grew to just over 10 million from 9,193 million previously but the average revenue per user at $6,84 per month was down from $8,14 per month. Voice revenue dropped to 56 percent of total revenue, from 64 percent previously. Broadband revenue grew $10 million to $113 million, contributing 18 percent to total group revenue.

EcoCash, Econet's mobile money service, recorded a 19 percent increase in revenue to $87 million. The service handled $6,6 billion worth of transactions though the year, up from $5,5 billion the previous year. Going forward, Econet finance director Roy Chimanikire said the company would take advantage of the ongoing cash shortages to push volumes on its mobile money service. "In EcoCash we believe we have a winning product that can perform well in this difficult environment." In its outlook, Econet warned that the current cash shortages would burden businesses in Zimbabwe. "The ongoing foreign currency shortages and general liquidity constraints have made it difficult for customers to spend on goods and services. The stagnation of the economy and the consequent impact on consumers will continue to put a strain on all businesses operating in Zimbabwe." During the second half of the year the company spent $7,5 million on retrenchment costs. Earnings per share (EPS) decreased to 2, 6 cents from 4, 5 cents the previous year. The company declared a dividend of 0,9 cents per share, with $13 million in total to be paid out. *(Source)*

Pearl Properties says the difficult operating environment has seen the company's occupancy levels declining by six percent in the four months to April to 73percent compared to 78 percent over same period last year. Managing director Francis Nyambiri told the company's annual general meeting that its revenue driver, rental income is under pressure resulting in revenue for the period declining to $2,7 million against $2,9 million in 2015 same period. "Occupancy levels haven taken a hit, reflecting the difficult market environment which we are operating under. Tenants are requestingdownward rental reviews while some have reduced their size of occupancies," he said. Nyambiri said rent arrears were at $2,5 million from $2,52 million last year due to better efficiency in collections,resulting in a cash position of $1,81 million from $1,7 million in prior year. Net property income for the four months is one percent ahead of last year at $2,2million. Nyambiri said administration expenses for the period were fourpercent below last year at $795,000 compared to $826,000 previously. Finance costs also went down as a result of how the company is amortizing the loan with Barclays Bank. During the period, there were no revaluations of investment properties. Profit for the period amounted to $1,21 million, an improvement on last year's $1,07 million. *(Source)*

The local unit of South African cement maker Pretoria Portland Cement (PPC) is planning to raise up to R4 billion ($253 million) to pay off debts and to fund current investment projects. PPC is constructing a $75 million plant in Harare which will have capacity to produce 680,000 tonnes annually which is due to come online later this year. The capital raise move is part of a strategy to review its balance sheet to pay for debts due this year and next year, which it said would put it in good stead to execute its strategy. In the integrated report for 2015, PPC listed its net borrowings at R1,8 billion ($114 million). PPC said it will release the details of the fundraiser o June 14 when it expects to release full year financial results. The company is also sweating on a possible credit downgrade from a credit rating agency this year. "Arising from its current and ongoing engagement with a particular credit ratings agency, PPC has reason to believe that the outcome of this engagement is a probable credit rating downgrade of PPC," PPC said in a cautionary statement to shareholders on Tuesday. "We will advise our shareholders and other stakeholders of the outcome such engagement as soon as a final decision has been made by the aforesaid credit ratings agency. The capital raising exercise will support the debt rating of PPC." *(Source)*

ZB Holdings has obtained all the requisite regulatory approvals to start a reinsurance business unit in Mozambique, but the group is taking a measured approach to the expansion. Group chief executive officer Ron Mutandagayi said recent developments relating to the economy and security threats in that country have prompted ZB to be cautious.Mr Mutandagayi said the financial services group is ready to roll out its tentacles in Mozambique and is already recruiting. A Zimbabwean will head the Mozambican unit. ZB has previously indicated that about $10 million will be spent on starting the reinsurance business in Mozambique. The financial services group wants to tap into exciting opportunities presented by the fast economic growth in Mozambique while seizing the opportunity to expand its business. "We have now received all the regulatory approvals from the Ministry of Finance, Reserve Bank and insurance commission (Mozambique). "We are good to go and we have already started the recruitment process," he said. Mr Mutandagayi said that while it is now "all systems go", the group is taking a more cautious look at its foray into Mozambique in view of the now prevailing macro-economic situation as well as the security risks in that country. Mozambique's economy expanded at the slowest pace in six years in 2015 amid a series of external and domestic headwinds. The economy is suffering negative effects of a financial scandal, which has led to the suspension of international financial assistance, economists Focus Economics latest report says. The undisclosed loans of over $1 billion cast a shadow over Mozambique's ability to meet its liability commitments and the economic growth has slowed down.

In light of recent developments, the IMF, the World Bank and the UK government have suspended their aid to the country. Complicating matters, the El Niño induced dry spell triggered weather phenomenon impairing the already poor water resources and causing food shortages in the country. According to the United Kingdom's travel advisory, there have been armed attacks on vehicles on main roads in Manica Province, Sofala and Zambezia Provinces recently. The UK said if travelling by road travellers must have relevant documents with them at all times and monitor local media. The US embassy in Maputo's recent travel advisory for US citizens cited the continued unrest in the central region of the country, including the deadly clashes between government of Mozambique forces and armed elements of leading opposition party Renamo in the provinces of Sofala, Manica, and the southern portion of Zambezia. The advisory said there have been confirmed unattributed shooting incidents involving government and civilian vehicles in the region, most recently along the EN7 in Manica and EN1 in southern Zambezia provinces. The resettlement of refugees after 16 years of civil war and successful economic reform has led to a high growth rate. Mozambique enjoyed a remarkable recovery, achieving an average annual rate of economic growth of 8 percent between 1996 and 2006 and between 6–7 percent from 2006 to 2011. Rapid expansion in the future hinged on foreign investment projects, continued economic reforms, and revival of the agriculture, transportation, and tourism sectors. *(Herald)*

TRUST Holdings' banking subsidiary Trust Bank has been placed under final liquidation and shareholders were given 14 days to appeal against the move. "Trust Bank was placed under final liquidation on May 19, 2016, and given 14 working days to appeal," one official with the Deposit Protection Corporation said yesterday.Trust Bank was placed under provisional liquidation in October 2014 after shareholders withdrew court papers opposing the process. The provisional liquidation order was to allow the bank to conclude its recapitalisation deal.
"It is clear that the bank cannot raise funds to recapitalise," one official who spoke on condition of anonymity said. In January 2014, the Deposit Protection Corporation announced it was instituting liquidation processes following the cancellation of its license by the Reserve Bank of Zimbabwe due to a weak capital position and abuse of depositors' funds. But Trust successfully opposed the liquidation arguing that the institution was on the verge of concluding a recapitalisation agreement with an unnamed South African investor. In December 2013, the Reserve Bank of Zimbabwe cancelled the banking licence for Trust Bank over allegations of abuse of depositors' funds and violation of the Banking Act. The bank was financially unsound and was not operating in line with sound administrative and accounting practices and procedures. In particular, the bank was critically undercapitalised with core capital of $1,9 million and had been posting persistent loss. Prior to the cancellation of its licence by the central bank, the institution had been facing critical liquidity challenges emanating from the poor loan book and the inadequate working capital and gross abuse of depositors funds. No official comment could be obtained from DPC chief executive Mr John Chikura by the time of going to print. *(Herald)*

Steward Bank, a subsidiary of Econet Wireless, on Wednesday reported its first ever full-year net return, declaring a $5,4 million profit for the period to February 29 from a loss of $8,3 million last year. Econet Wireless took over the bank, then TN Bank, from former Econet chairman Tawanda Nyambirai. The mobile operator had first acquired a 45 percent stake in 2012, before taking over the remaining shareholding in 2013. Steward Bank reported a 23 percent rise in transaction volumes to $24,34 million. Profit before tax amounted to $6,2 million, compared to a loss before tax of $9,5 million last year. "Our loan to deposits ratio averaged 58 percent reflecting our cautious approach to lending. More significantly as part of the clean-up process, we managed to reduce our non-performing loans ratio from 35 percent to 13.5 percent," said chairman Oluwatomisin Adeola Fashina. Fashina left the bank in April to pursue other interests in the region. Operating expenditure declined to $18 million from $29 million in the previous year. The bank's liquidity ratio stood at 72 percent against the prescribed minimum ratio of 30 percent. It has a capital base of $38,6 million. *(The Source)*

The country's biggest mobile phone network, Econet Wireless, has invested over $55 million on alternative sources of power, as the power situation remains critical in Zimbabwe. The group also said the diesel generators alternative is gobbling a staggering $7 million annually in operating costs. Econet said that investment in alternative sources of power was necessitated by unreliable availability of grid power, which it said remains a major challenge for the business. Chairman, Dr James Myers in a statement accompanying the group's financial results for the year to February 2016 said Econet invested in diesel generators, deep cycle batteries and solar power to mitigate power outages. "The business has invested over $55 million towards provision of alternative power and incurred an average of $7 million per annum in ongoing operating costs to run diesel generators," Mr. Myers said in the financial statement.

As such, Econet cited a number of constraining factors for continued deteriorating financial performance with revenue falling from $746 million in 2015 to $641 million in 2016. Group profit for the period under review plunged 43 percent to $40 million from $70 million in the full year to February 2015 weighed down by a cocktail of Government and regulatory changes and or directives. Econet blamed the 35 percent reduction in voice tariffs and 5 percent excise duty on airtime for depriving the group of $125 million in potential revenue for the year 2016. Regulator, Potraz's reduction of interconnection rates from 5 cents to 4 cents and increase of universal services fund levy to 1,5 percent from 0,5 percent, Econet said, negatively affected revenue by $4,5 million this year. Further, the group said the requirement by Government for all mobile phone subscribers to be registered resulted in de-registration of some customers made the group lose $2 million potential revenue. Econet said the problem regarding availability and supply of power and other problems it cited are beyond its control, but the company has adjusted its business model to protect key revenue segments and enhance efficiency. The adjustments included aggressive cost reduction measures, on a scale never implemented by the company in its 16 year history, which included reduction of total gross compensation by 20 percent, retrenchment of over 150 staff and extensive negotiation with suppliers for a 15 percent decrease in costs across all items.*(Herald)*

Hotelier, Rainbow Tourism Group (RTG) said yesterday it had shut down its Beitbridge hotel after two years in operation after posting successive losses amounting to $2 million. The closure of the hotel follows a similar exit from the border town by hotel group, African Sun which shut down its Beitbridge Express Hotel after two decades over profitability concerns.RTG said forecasts showed the hotel would continue to make losses. "This business decision was reached following much consultation. Market factors characterised by depressed occupancies, low margins as well as high operating costs were the major contributing factors in exiting Beitbridge," RTG said. "The latest projections show a declining market demand and rate yield with strong indications that the hotel will continue to make losses into the foreseeable future. The poor performance continued to weigh down overall performance of the group. Staff who worked at the 136-roomed hotel had been offered employment at some of the group's operations. RTG runs a number of hotels, which include the five-star Rainbow Towers, formerly Sheraton in Harare, Victoria Falls Rainbow Hotel and A'Zambezi in Victoria Falls, Bulawayo Rainbow, Kadoma Hotel and Conference Centre and another unit in Mozambique. The closure of the two Beitbridge hotels effectively robs the border town and the tourism sector of a 240 rooms. At its closure, African Sun's Beitbridge Express Hotel had posted losses amounting to half a million dollars in the past two years.*(Reuters)*

Econet Wireless has said it sees a decline in volumes on its mobile money transfer service, EcoCash, due to the deepening cash shortages. "Naturally, because of the cash shortage our volumes will be affected but we can't at this stage quantify by how much," Econet's Lovemore Nyatsine said in an emailed response to questions on EcoCash. In the year to 29 February this year, EcoCash moved transactions valued at $6,6 billion dollars, which was a 20 percent increase from the prior year's $5,5 million. Nyatsinehoweversaidthe cash shortage highlights the benefits of switching to mobile and card based transactions. "EcoCash having also been affected by the cash shortage in Zimbabwe is endeavoring to ensure cash availability to its clients through theextensive agent network. However, the cash shortage highlights the benefits of switching to mobile and card based transactions," he said. Nyatsine said EcoCashhas seen a rise in electronic payments and is now actively promotingthe use of the EcoCash wallet and EcoCash cards for purchases. According to data from telecoms industry regulator Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz), EcoCash handles 98 percent of mobile money transactions in the country, making it the largest mover of payments. Currently, Econet's agent base stands at 26,500. However, due to cash shortages in the economy, several agents are also failing to meet customers' demands for cash. *(Source)*

Clothing retain chain Edgars Stores on Thursday reported an operating loss of $2,2 million in the first quarter to March 2016, as weak sales widened losses from the $1,6 million loss made in the first quarter of last year. Unit sales were 2,1 percent lower on the comparative period and 19,4 percent behind budget. Gross margin was lower than last year at 45,9 percent compared to 48,3 percent achieved in the same period last year. Group managing director, Linda Masterson, said the lower margins were attributable to the increased sales contribution by the Jet chain and declining sales in the Edgars chain. "Trading environment remains tough but we are performing well under the circumstances," said Masterson while briefing shareholders at the group's annual general meeting in Bulawayo. She noted that during the period under review, no new stores were opened and they were planning to close two Jet outlets in Kariba and Chipinge.

The debtors book increased by 13,4 percent over last year as customers struggled to pay on time. The number of accounts as at March stood at 257,058, with 67,7 percent being active compared to 72,1 percent last year. Total borrowing were $14,8 million, of which $7,9 million was current and the balance payable after April 27. Finance costs amounted to 4,9 percent of turnover to date while finance income was $2,8 million compared to $2,4 million for same period last year, she said. Going forward, Masterson said the group they will continue to closely monitor the trading environment and review their targets accordingly. "The group is still studying the recent changes to the financial markets brought about by the monetary authorities and will align the business accordingly," she said. *(Source)*

Economic News

Zimbabwe cement manufacturers have called for a reduction in the price of electricity after exports into the region dried up as high production costs make local products uncompetitive. An industry representative, Kelibone Masiyane, on Friday told a meeting organized by the Ministry of Industry and Trade to discuss import control measures that exports dropped from over 100,000 tonnes in 2014 to less than 40,000 tonnes last year and there has been none at all this year. Masiyane said at $150 per tonne, the cost of production was twice as high as that of other countries in the region mainly due to high power costs, which at 14 cents per kilowat hour, make up 25 percent of production costs. "At this stage we are quite vulnerable and there is no way we can compete. We need to relook the manufacturing cost base to reduce the cost of electricity and diesel Also, there are a lot of levies and duties that we have to deal with," said Masiyane, who is also the managing director for Pretoria Portland Cement (PPC). Zimbabwe's cement industry mainly comprises of three players: PPC, Larfarge Zimbabwe and Sino-Zim, all with a combined installed capacity of 1, 46 million tonnes per annum. PPC has 760,000 tonne capacity, Lafarge 450,000 tonnes and Sino-Zim Cement 250,000 tonnes.

PCC expects to add 700,000 tonne cement capacity from its new Harare plant, expected to be commissioned later this year. The country's demand for cement for the year is estimated at 1,17 million tonnes. Masiyane said government needs to control imports because the country has enough capacity to meet demand up until 2030. "As industry we are asking for the imposition of an import tariff which equalizes the landing cost into Zimbabwe to level the playing field. In the event of a shortage, only players in the industry should be allowed to import on behalf of the country so we ask for a review of the import permits that have been already issued," he said. The industry has invested a combined $185 million over the past five years. In August last year, Nigerian billionaire Aliko Dangote announced plans to build a 1,5 million tonne cement plant in Zimbabwe. *(Source)*

Zimbabwe's central bank will start circulating local bank notes in October but the country will continue to use the dollar and other foreign currencies and will not be returning to a domestic currency abandoned in 2009, its governor said on Monday. Zimbabweans are worried that introducing "bond notes" to ease dollar shortages could open the door to rampant printing of cash, as happened in 2008 when inflation hit 500 billion percent, wiping out savings and pensions. Reserve Bank of Zimbabwe governor John Mangudya described the local notes as vouchers meant to boost exports and generate foreign exchange and dismissed talk of a return to the local currency as "unfounded rumours". "The export vouchers are expected to be disbursed in October 2016. The multi-currency system is here to stay," he said in a statement. "We have assured the public before and we would like to continue to do so that the country's economic fundamentals do not support the return to the Zimbabwe dollar." Zimbabwe has faced a shortage of bank notes since March, unnerving depositors who fear the central bank may turn on the printing presses again and render their cash worthless. Long queues continue to form outside banks, which have imposed daily withdrawal limits as low as $50. *(Reuters)*

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